

**SABINE PARISH WATERWORKS DISTRICT NO. 1
MANY, LOUISIANA
FINANCIAL STATEMENTS
FOR THE YEAR ENDED
SEPTEMBER 30, 2013**

SABINE PARISH WATERWORKS DISTRICT NO.1
MANY, LOUISIANA
BOARD OF COMMISSIONERS
SEPTEMBER 30, 2013

<u>Commissioners</u>	<u>Office</u>	<u>Year Elected</u>	<u>Term</u>
Walter L. Mains	President	2013	5 yrs.
Benny Funderburk	Vice-President	2010	5 yrs.
Keith Broussard	Sec./Treasurer	2011	5 yrs.
Alan Colston		2013	5 yrs.
Chris Comeaux		2010	5 yrs.
David Mains		2012	5 yrs.
Paul Morris		2010	5 yrs.
John Sandel		2013	5 yrs.

SABINE PARISH WATERWORKS DISTRICT NO.1
MANY, LOUISIANA
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SEPTEMBER 30, 2013

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SABINE PARISH WATERWORKS DISTRICT NO.1
MANY, LOUISIANA
FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2013

Legislative Auditor
P. O. Box 94397
Baton Rouge, LA 70804-9397

AFFIDAVIT

Personally came and appeared before the undersigned authority, Walter L. Mains, President of the Sabine Parish Waterworks District No. 1, who duly sworn, deposes and says, that the financial statements herewith given presents fairly the financial position of Sabine Parish Waterworks District No. 1 at September 30, 2013 and the results of its operations for the year then ended in accordance with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.


President

Sworn to and subscribed before me, this 21th day of March, 2014.


NOTARY PUBLIC #067903

HINES, SHEFFIELD & SQUYRES, L.L.C.

FRANK S. HINES, CPA
LEWIS C. HINES, CPA
E. MERLIN SQUYRES, CPA
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INDEPENDENT AUDITORS' REPORT

Board of Commissioners
Sabine Parish Waterworks District No. 1
Many, Louisiana 71449

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of the Sabine Parish Waterworks District No. 1, Many, Louisiana, a component unit of the Sabine Parish Police Jury, as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Sabine Parish Waterworks District No. 1, a component unit of the Sabine Parish Police Jury, as of September 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 to 8 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Sabine Parish Waterworks District No. 1's basic financial statements. The accompanying information schedules identified in the table of contents as Other Supplementary Information is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The Other Supplementary Information schedules are the responsibility of management and were derived from and related directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated March 21, 2014 on our consideration of the Sabine Parish Waterworks District No. 1's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the District's internal control over financial reporting and compliance.

The financial information for the year ended September 30, 2012, which is included for comparative purposes, was taken from the financial report for that year in which we expressed an unqualified opinion dated February 11, 2013, on the basic financial statements of the Sabine Parish Waterworks District No. 1.

Hines, Sheffield & Squyres

Natchitoches, Louisiana
March 21, 2014

SABINE PARISH WATERWORKS DISTRICT NO.1
MANY, LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2013

The Management's Discussion and Analysis of Sabine Parish Waterworks District No. 1's financial performance presents a narrative overview and analysis of Sabine Parish Waterworks District No. 1's financial activities for the year ended September 30, 2013. This document focuses on the current year's activities, resulting changes, and currently known facts. Please read this document in conjunction with the additional information contained in the Sabine Parish Waterworks District No. 1's financial statements, which begin on page 9.

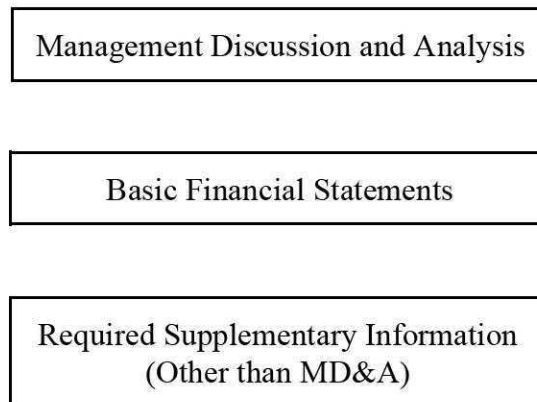
FINANCIAL HIGHLIGHTS

- 1) The Sabine Parish Waterworks District No. 1 had cash and cash equivalents of \$450,550 at September 30, 2013 which represents an increase of \$90,691 from prior year end.
- 2) The Sabine Parish Waterworks District No. 1 had accounts receivable of \$97,487 at September 30, 2013 which represents an increase of \$11,688 from prior year end.
- 3) The Sabine Parish Waterworks District No. 1 had accounts payable and accruals of \$518,134 at September 30, 2013 which represents an increase of \$476,310 from prior year end.
- 4) The Sabine Parish Waterworks District No. 1 had total operating revenues of \$799,427 for the year ended September 30, 2013 which represents an increase of \$69,045 from prior year.
- 5) The Sabine Parish Waterworks District No. 1 had charges for services revenues of \$739,493 for the year ended September 30, 2013 which represents an increase of \$52,604 from prior year.
- 6) The Sabine Parish Waterworks District No. 1 had total operating expenses of \$649,968 for the year ended September 30, 2013 which represents an increase of \$25,452 from prior year.
- 7) The Sabine Parish Waterworks District No. 1 had interest expense of \$94,084 for the year ended September 30, 2013 which represents a decrease of \$6,949 from prior year.
- 8) The Sabine Parish Waterworks District No. 1 had a net change in net assets of \$584,215 for the year ended September 30, 2013 which represents an increase of \$500,461 from prior year.
- 9) The Sabine Parish Waterworks District No. 1 had capital asset purchases of \$4,315,407 for the year ended September 30, 2013 which represents an increase of \$4,048,638 from prior year.
- 10) The Sabine Parish Waterworks District No. 1 had long-term debt principal payments of \$1,678,803 for the year ended September 30, 2013 which represents an increase of \$1,569,803 from prior year.
- 11) The Sabine Parish Waterworks District No. 1 had long-term debt of \$5,516,976 for the year ended September 30, 2013 which represents an increase of \$3,204,630 from prior year.

SABINE PARISH WATERWORKS DISTRICT NO.1
MANY, LOUISIANA
MANAGEMENT’S DISCUSSION AND ANALYSIS (CONTINUED)
SEPTEMBER 30, 2013

OVERVIEW OF THE FINANCIAL STATEMENTS

The following graphic illustrates the minimum requirements for Sabine Parish Waterworks District No. 1 as established by Governmental Accounting Standards Board Statement 34, Basic Financial Statements—and Management’s Discussion and Analysis—for State and Local Governments.



These financial statements consist of three sections - Management’s Discussion and Analysis (this section), the basic financial statements (including the notes to the financial statements), and required supplementary information.

Basic Financial Statements

This annual report consist of a series of financial statements. The Statement of Net Assets, Statement of Revenues, Expenses, and Changes in Fund Net Assets and Cash Flows (on pages 9, 10 and 11) provide information about the activities of Sabine Parish Waterworks District No. 1 as a whole and present a longer-term view of the District’s finances. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year’s revenues and expenses are taken into account regardless of when cash is received or paid.

The Statement of Net Assets and the Statement of Revenues, Expenses, and Changes in Fund Net Assets report the District’s net assets and changes in them. You can think of the District’s net assets, the difference between assets and liabilities, as one way to measure the District’s financial health, or financial position. Over time, increases or decreases in the District’s net assets are one indicator of whether its financial health is improving or deteriorating.

SABINE PARISH WATERWORKS DISTRICT NO.1
MANY, LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
SEPTEMBER 30, 2013

FINANCIAL ANALYSIS OF THE ENTITY

Statement of Net Assets
As of Year End

	<u>2013</u>	<u>2012</u>
Current and other assets	\$ 685,514	\$ 521,222
Capital assets, net	<u>7,672,593</u>	<u>3,571,730</u>
 Total Assets	 <u>\$ 8,358,107</u>	 <u>\$ 4,092,952</u>
 Accounts payable, accruals and other liabilities	 \$ 518,134	 \$ 41,824
Long-term debt	<u>5,516,976</u>	<u>2,312,346</u>
Total Liabilities	6,035,110	2,354,170
 Net Assets		
Investments in capital assets, net of related debt	2,291,396	1,423,730
Restricted	223,809	217,203
Unrestricted	<u>(192,208)</u>	<u>97,849</u>
Total Net Assets	<u>2,322,997</u>	<u>1,738,782</u>
 Total Liabilities and Net Assets	 <u>\$ 8,358,107</u>	 <u>\$ 4,092,952</u>

Net assets of the Sabine Parish Waterworks District No. 1's increased by \$584,215 or 33.60% from the previous fiscal year. The increase is the result of operating and other revenues exceeding operating and other expenses during the fiscal year ended 2013 (See table below).

Statement of Revenues, Expenses, and Changes in Fund Net Assets
For the Year Ended

	<u>2013</u>	<u>2012</u>
Operating Revenues	\$ 799,427	\$ 730,382
Operating Expenses	<u>649,968</u>	<u>624,516</u>
Operating Income	149,459	105,866
Nonoperating Revenues/(Expenses)	(93,244)	(99,912)
Capital Contributions	<u>528,000</u>	<u>77,800</u>
 Change in net assets	 <u>\$ 584,215</u>	 <u>\$ 83,754</u>

The Sabine Parish Waterworks District No. 1's total operating revenues increased by \$69,045 or 9.45% from the previous year. The total operating expenses increased by \$25,452 or 4.08% from the previous year.

SABINE PARISH WATERWORKS DISTRICT NO.1
MANY, LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
SEPTEMBER 30, 2013

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of 2013, Sabine Parish Waterworks District No. 1 had \$7,672,593, net of depreciation, invested in a broad range of capital assets (See table below). This amount represents a net increase (including additions and deductions) of \$4,100,863 or 114.81% from the previous year.

Capital Assets at Year End
(Net of Depreciation)

	2013	2012
Land	\$ 54,235	\$ 51,002
Construction in progress	4,604,216	333,904
Land improvements	801	940
Distribution system	2,960,410	3,150,501
Building and improvements	1,718	2,362
Furniture, machinery and equipment	51,213	33,021
Total	<u>\$ 7,672,593</u>	<u>\$ 3,571,730</u>

This year's major additions included:

Land	\$ 3,233
Construction in progress	\$ 4,270,312
Distribution system	\$ 5,594
Furniture, machinery and equipment	\$ 36,268

This years's major retirements included:

None.

Debt

Sabine Parish Waterworks District No. 1 had \$5,516,976 in long-term debt outstanding at year end compared to \$2,312,346 at the previous year end, an increase of \$3,204,630 or 138.59% as shown in the table below.

Outstanding Debt at Year End

	2013	2012
Revenue bonds	\$ 5,381,197	\$ 2,158,000
Relocation loan	135,779	154,346
Totals	<u>\$ 5,516,976</u>	<u>\$ 2,312,346</u>

New debt during the year included:

Revenue bonds series 2013	\$ 4,902,000
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SABINE PARISH WATERWORKS DISTRICT NO.1
MANY, LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
SEPTEMBER 30, 2013

ECONOMIC FACTORS AND NEXT YEAR'S RATES AND FEES

Management of Sabine Parish Waterworks District No. 1 consider the following factors and indicators when setting next year's rates and fees. These factors and indicators include:

- 1) Long-term debt
- 2) Cost of operations
- 3) Number of customers
- 4) State and federal grants

The Sabine Parish Waterworks District No. 1's management does not expect any significant changes in next year's results as compared to the current year.

CONTACTING SABINE PARISH WATERWORKS DISTRICT NO.1'S MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the Sabine Parish Waterworks District No. 1's finances and to show Sabine Parish Waterworks District No. 1's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Walter L. Mains, President, P.O. Box 660, Many, Louisiana 71449.

SABINE PARISH WATERWORKS DISTRICT NO.1
MANY, LOUISIANA
STATEMENT OF NET ASSETS
SEPTEMBER 30, 2013 AND 2012

	<u>2013</u>	<u>2012</u>
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 226,741	\$ 142,656
Accounts receivable, net	97,487	85,799
Prepaid expenses	16,170	12,176
Inventory	<u>34,206</u>	<u>37,170</u>
Total Current Assets	374,604	277,801
Noncurrent Assets		
Restricted assets	223,809	217,203
Capital assets, net	7,672,593	3,571,730
Unamortized bond costs, net	85,239	24,356
Deposits	<u>1,862</u>	<u>1,862</u>
Total Assets	<u>\$ 8,358,107</u>	<u>\$ 4,092,952</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Current Liabilities		
Current portion of long-term debt	\$ 87,000	\$ 125,000
Accounts payable and accruals	<u>518,134</u>	<u>41,824</u>
Total Current Liabilities	605,134	166,824
Noncurrent Liabilities		
Long-term debt, net of current portion	5,294,197	2,033,000
Relocation loan - State of Louisiana	<u>135,779</u>	<u>154,346</u>
Total Liabilities	6,035,110	2,354,170
NET ASSETS		
Investments in capital assets, net of related debt	2,291,396	1,423,730
Restricted		
Retirement of long-term debt	223,809	217,203
Unrestricted	<u>(192,208)</u>	<u>97,849</u>
Total Net Assets	<u>2,322,997</u>	<u>1,738,782</u>
Total Liabilities and Net Assets	<u>\$ 8,358,107</u>	<u>\$ 4,092,952</u>

The accompanying notes are an integral part of this statement.

SABINE PARISH WATERWORKS DISTRICT NO.1
MANY, LOUISIANA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
FOR THE YEARS ENDED SEPTEMBER 30, 2013 AND 2012

	<u>2013</u>	<u>2012</u>
OPERATING REVENUES		
Charges for services	\$ 739,493	\$ 686,889
Connection fees	24,506	12,483
Late fees	19,780	19,752
Miscellaneous	<u>15,648</u>	<u>11,258</u>
Total Operating Revenues	799,427	730,382
OPERATING EXPENSES		
Advertising	1,851	1,042
Amortization	15,373	2,399
Automobile expense	18,921	16,658
Bad debt expense	3,123	6,703
Computer services	3,861	4,192
Depreciation	214,544	214,027
Insurance and bonds	25,321	23,217
Legal and accounting	13,952	13,196
Materials and supplies	56,778	37,671
Miscellaneous	10,830	4,387
Office and other expenses	16,174	14,795
Payroll taxes	9,112	9,008
Professional services	5,000	5,000
Rent	23,427	14,127
Repairs and maintenance	10,341	15,002
Salaries	110,443	111,204
Telephone	7,201	8,378
Utilities	53,858	45,567
Water purchases	<u>49,858</u>	<u>77,943</u>
Total Operating Expenses	649,968	624,516
Operating Income	149,459	105,866
Nonoperating Revenues/(Expenses)		
Interest income	840	1,121
Interest expense	<u>(94,084)</u>	<u>(101,033)</u>
Total Nonoperating Revenues/(Expenses)	(93,244)	(99,912)
Income/(Loss) Before Capital Contributions	56,215	5,954
Capital Contributions	<u>528,000</u>	<u>77,800</u>
Change in Net Assets	584,215	83,754
Net Assets, Beginning of year	<u>1,738,782</u>	<u>1,655,028</u>
Net Assets, End of year	<u>\$ 2,322,997</u>	<u>\$ 1,738,782</u>

The accompanying notes are an integral part of this statement.

SABINE PARISH WATERWORKS DISTRICT NO.1
MANY, LOUISIANA
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED SEPTEMBER 30, 2013 AND 2012

	<u>2013</u>	<u>2012</u>
Cash Flows From Operating Activities		
Receipts from customers	\$ 768,968	\$ 719,061
Cash payments to suppliers for goods and services	(372,391)	(450,787)
Cash payments to employees and board members for services	(110,189)	(111,063)
Other operating revenues/(expenses)	<u>15,648</u>	<u>13,027</u>
Net Cash From Operating Activities	302,036	170,238
Cash Flows From Capital and Related Financing Activities		
Capital contributions	528,000	77,800
Proceeds from revenue bonds	4,902,000	0
Principal payments on relocation loan	(18,567)	(18,568)
Principal payments on revenue bonds	(1,678,803)	(109,000)
Acquisition/construction of capital assets	(3,845,738)	(266,769)
Interest paid	<u>(99,077)</u>	<u>(101,427)</u>
Net Cash From Capital and Related Financing Activities	(212,185)	(417,964)
Cash Flows From Investing Activities		
Interest income	<u>840</u>	<u>1,121</u>
Cash Flows From Investing Activities	<u>840</u>	<u>1,121</u>
Net Increase/(Decrease) in Cash and Cash Equivalents	90,691	(246,605)
Cash and Cash Equivalents, Beginning of year	<u>359,859</u>	<u>606,464</u>
Cash and Cash Equivalents, End of year	<u>\$ 450,550</u>	<u>\$ 359,859</u>
Reconciliation of Operating Income to Net Cash From Operating Activities		
Operating income	\$ 149,459	\$ 105,866
Adjustments to reconcile operating income to net cash from operating activities		
Amortization	15,373	2,399
Bad debt expense	3,123	6,703
Depreciation expense	214,544	214,027
(Increase)/decrease in operating assets		
Accounts receivable	(14,811)	1,561
Prepaid expenses	(3,994)	(1,399)
Inventory	2,964	123,330
Bond costs	(76,256)	(507)
Deposits	0	145
Increase/(decrease) in operating liabilities		
Accounts payable and accruals	<u>11,634</u>	<u>(281,887)</u>
Net Cash Flows From Operating Activities	<u>\$ 302,036</u>	<u>\$ 170,238</u>

The accompanying notes are an integral part of this statement.

SABINE PARISH WATERWORKS DISTRICT NO.1
MANY, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

The Sabine Parish Waterworks District No. 1, a political subdivision of the Sabine Parish Police Jury, was formed July 17, 1978, to provide water to the rural areas surrounding Many and Florien. It is operated by a board which consists of nine commissioners appointed by the Police Jury to serve five year terms. The commissioners receive no compensation for their services.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Accounting

In April of 1984, the Financial Accounting Foundation established the Governmental Accounting Standards Board (GASB) to promulgate generally accepted accounting principles and reporting standards with respect to activities and transactions of state and local governmental entities. The GASB has issued a Codification of Governmental Accounting and Financial Reporting Standards (GASB Codification). This Codification and subsequent GASB pronouncements are recognized as generally accepted accounting principles for state and local governments. The accompanying financial statements have been prepared in accordance with such principles. The accompanying financial statements of Sabine Parish Waterworks District No. 1 present information only as to the transactions of the programs of the District as authorized by Louisiana statutes and administrative regulations.

Basis of accounting refers to when revenues and expenses are recognized and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied. The accounts of the District are maintained in accordance with applicable statutory provisions:

Revenue Recognition

Revenues are recognized using the full accrual basis of accounting; therefore, revenues are recognized in the accounting period in which they are earned and become measurable.

Expense Recognition

Expenses are recognized on the accrual basis; therefore, expenses, including salaries, are recognized in the period incurred, if measurable.

B. Cash and Cash Equivalents

For the purpose of consistent with GASB Statement 9, the District defines cash and cash equivalents as follows:

Cash - includes not only currency on hand but also demand deposits with banks or other financial institutions and other kinds of accounts that have the general characteristics of demand deposits in that the customer may deposit additional funds at any time and also effectively may withdraw funds at any time without prior notice or penalty.

Cash equivalents - includes all short term, highly liquid investments that are readily convertible to known amounts of cash and are so near their maturity that they present insignificant risk of changes in value because of interest rates. Generally, only investments which, at the day of purchase, have a maturity date no longer than three months qualify under this definition.

C. Receivables

All receivables are reported at their gross value and, where applicable, are reduced by the estimated portion that is expected to be uncollectible.

SABINE PARISH WATERWORKS DISTRICT NO.1
MANY, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2013

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Bad Debts

Uncollectible accounts receivable are recognized as bad debts through the establishment of an allowance account at the time information becomes available which would indicate the uncollectibility of the particular receivable. At September 30, 2013, \$8,502 were considered to be uncollectible.

E. Capital Assets

Capital assets are carried at historical costs. Depreciation of all exhaustible capital assets used by Sabine Parish Waterworks District No. 1 are charged as an expense against operations in the Statement of Revenues, Expenses, and Changes in Fund Net Assets. Capital assets net of accumulated depreciation are reported on the Statement of Net Assets. Depreciation is computed using the straight line method over the estimated useful life of the assets, generally 10 to 40 years for buildings and building improvements, 10 to 40 years for the distribution system, 5 years for automobiles and 5 to 10 years for machinery and equipment. Expenditures for maintenance, repairs and minor renewals are charged to earnings as incurred. Major expenditures for renewals and betterments are capitalized.

F. Compensated Absences

Full-time employees of the Sabine Parish Waterworks District No. 1 earn annual leave at various rates depending on the number of years in service. Leave cannot be accumulated or carried over from one year to the next. Therefore, no liability for compensated absences has been recorded in the accompanying financial statements.

G. Restricted Net Assets

In the government-wide statements, equity is classified as net assets and displayed in three components:

1. Investment in capital assets, net of related debt - consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributed to the acquisition, construction, or improvement of those assets.
2. Restricted net assets - consists of net assets with constraints placed on the use either by a) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or b) law through constitutional provisions or enabling legislation.
3. Unrestricted net assets - all other net assets.

H. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

SABINE PARISH WATERWORKS DISTRICT NO.1
MANY, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2013

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. Unamortized Bond Costs

Bond issue costs and bond discounts are capitalized and amortized over the terms of the respective bonds using a method which approximates the effective interest method. Total bond issue costs and bond discounts (deferred debt expense) paid by Sabine Parish Waterworks District No. 1, was \$115,524. The amortization expense related to deferred debt expense was \$15,373 for the year ended September 30, 2013.

NOTE 2 DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS

A. Deposits with Financial Institutions

For reporting purposes, deposits with financial institutions including savings, demand deposits, time deposits, and certificates of deposit. Under state law Sabine Parish Waterworks District No. 1 may deposit funds within a fiscal agent bank selected and designated by the Interim Emergency Board. Further the Fund may invest in time certificates of deposit of state banks organized under the laws of Louisiana, national banks having their principal office in the state of Louisiana, in savings accounts or shares of savings and loan associations and savings banks and in share accounts and share certificate accounts of federally or state chartered credit unions.

Deposits in bank accounts are stated at cost, which approximates market. Under state law, these deposits must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent bank. These pledged securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties. The deposits at September 30, 2013 were secured as follows:

	<u>Cash</u>	<u>Certificates of Deposit</u>	<u>Total</u>
Deposits in bank accounts per balance sheet	\$ 450,550	\$ 0	\$ 450,550
 Bank Balances (Category 3 Only, If Any)			
a. Uninsured and uncollateralized	\$ 0	\$ 0	\$ 0
b. Uninsured and uncollateralized with securities held by the pledging institution	0	0	0
c. Uninsured and uncollateralized with securities held by the pledging institution's trust department or agent but not in the entity's name	0	0	0
 Total Category 3 Bank Balances	\$ 0	\$ 0	\$ 0
 Total Bank Balances (All Categories Including Category 3 Reported Above)	\$ 1,430,418	\$ 0	\$ 1,430,418

SABINE PARISH WATERWORKS DISTRICT NO.1
MANY, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2013

NOTE 2 DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS (CONTINUED)

A. Deposits with Financial Institutions (Continued)

The following is a breakdown by banking institution and amount of the balances shown above:

<u>Banking Institution</u>	<u>Amount</u>
Sabine State Bank & Trust Company	<u>\$ 1,430,418</u>
Total	<u><u>\$ 1,430,418</u></u>

B. Investments

At September 30, 2013, Sabine Parish Waterworks District No. 1 had investments of \$0.

NOTE 3 RESTRICTED ASSETS

At September 30, 2013, Sabine Parish Waterworks District No. 1 had the following restricted assets:

Cash and cash equivalents	<u>\$ 223,809</u>
Total	<u><u>\$ 223,809</u></u>

NOTE 4 ACCOUNTS RECEIVABLE

The following is a summary of accounts receivable at September 30, 2013:

<u>Class of Receivable</u>	
Charges for services	\$ 97,487
Other	<u> 0</u>
Total	<u><u>\$ 97,487</u></u>

SABINE PARISH WATERWORKS DISTRICT NO.1
MANY, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2013

NOTE 5 CAPITAL ASSETS

A summary of Sabine Parish Waterworks District No. 1's capital assets at September 30, 2013 follows:

	Balance September 30, 2012	Additions	Retirements	Balance September 30, 2013
Capital Assets, not being depreciated				
Land	\$ 51,002	\$ 3,233	\$ 0	\$ 54,235
Construction in progress	333,904	4,270,312	0	4,604,216
Total Capital Assets, not being depreciated	384,906	4,273,545	0	4,658,451
Capital Assets, being depreciated				
Land improvements	2,784	0	0	2,784
Less accumulated depreciation	(1,844)	(139)	0	(1,983)
Total Land Improvements	940	(139)	0	801
Distribution system	4,911,218	5,594	0	4,916,812
Less accumulated depreciation	(1,760,717)	(195,685)	0	(1,956,402)
Total Distribution System	3,150,501	(190,091)	0	2,960,410
Building and improvements	13,075	0	0	13,075
Less accumulated depreciation	(10,713)	(644)	0	(11,357)
Total Machinery and equipment	2,362	(644)	0	1,718
Furniture, machinery and equipment	144,556	36,268	0	180,824
Less accumulated depreciation	(111,535)	(18,076)	0	(129,611)
Total Furniture, machinery & equipment	33,021	18,192	0	51,213
Total Capital Assets, being depreciated	3,186,824	(172,682)	0	3,014,142
Total Capital Assets, net	\$ 3,571,730	4,100,863	\$ 0	\$ 7,672,593

NOTE 6 ACCOUNTS PAYABLE AND ACCRUALS

The following is a summary of accounts payable at September 30, 2013:

<u>Class of Payable</u>	
Vendor	\$ 495,075
Salaries and related benefits	2,980
Interest	3,146
Other	16,933
Total	<u>\$ 518,134</u>

SABINE PARISH WATERWORKS DISTRICT NO.1
MANY, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2013

NOTE 7 LONG TERM-DEBT

The following is a summary of the long-debt obligations of the Sabine Parish Waterworks District No. 1 for the year ended September 30, 2013:

	Balance Sept. 30, 2012	Additions	Deletions	Balance Sept. 30, 2013	Current Amounts
Revenue bonds series 2002	\$ 406,000	\$ 0	\$ 74,000	\$ 332,000	\$ 77,000
Revenue bonds series 2004	360,000	0	360,000	0	0
Revenue bonds series 2008	892,000	0	892,000	0	0
Revenue bonds series 2010	500,000	0	352,803	147,197	10,000
Revenue bonds series 2013	<u>0</u>	<u>4,902,000</u>	<u>0</u>	<u>4,902,000</u>	<u>0</u>
Total	<u>\$ 2,158,000</u>	<u>\$ 4,902,000</u>	<u>\$ 1,678,803</u>	<u>\$ 5,381,197</u>	<u>\$ 87,000</u>

The terms of the individual revenue bonds at September 30, 2013 are as follows:

	Interest Rate	Maturity Date	Amount Issued	Amount Outstanding
Revenue bonds series 2002	4.3125%	2017	\$ 975,000	\$ 332,000
Revenue bonds series 2010	5.0000%	2025	500,000	147,197
Revenue bonds series 2013	2.7500%	2054	<u>4,902,000</u>	<u>4,902,000</u>
Total			<u>\$ 6,377,000</u>	<u>\$ 5,381,197</u>

The annual requirements to amortize all debt outstanding as of September 30, 2013 are as follows:

Year Ending September 30	Revenue bonds Principal	Revenue bonds Interest	Total
2014	\$ 87,000	\$ 153,361	\$ 240,361
2015	159,245	148,924	308,169
2016	165,145	143,288	308,433
2017	171,099	137,440	308,539
2018	84,107	133,197	217,304
2019-2023	499,866	616,204	1,116,070
2024-2028	461,949	549,023	1,010,972
2029-2033	529,958	481,013	1,010,971
2034-2038	607,979	402,991	1,010,970
2039-2043	697,486	313,485	1,010,971
2044-2048	800,172	210,801	1,010,973
2049-2053	917,974	92,999	1,010,973
2054	<u>199,217</u>	<u>2,981</u>	<u>202,198</u>
Total	<u>\$ 5,381,197</u>	<u>\$ 3,385,707</u>	<u>\$ 8,766,904</u>

SABINE PARISH WATERWORKS DISTRICT NO.1
MANY, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2013

NOTE 8 LEASES

The Sabine Parish Waterworks District No. 1 was not obligated under any noncancellable capital or operating lease commitments at September 30, 2013.

NOTE 9 LITIGATION

There was no outstanding litigation against Sabine Parish Waterworks District No. 1 at September 30, 2013.

NOTE 10 RELOCATION LOAN - STATE OF LOUISIANA

The Sabine Parish Waterworks District No. 1 was authorized to receive funds from the Department of Transportation and Development for the relocation of utility lines on State Projects. Act 319 of 1981 contains the following sentence: "If the Office of Highways provides for the removal or relocation, the municipality, parish or special district shall henceforth be prohibited from locating a utility installation in any state owned right of way until the municipality, parish or special district reimburses the state for the cost of the removal or relocation." The acceptance of these funds may create a contingency should the public unit accepting the reimbursement ever decide to located a utility installation on any state owned right of way. Since the District plans to expand in the future, a liability at September 30, 2013 in the amount of \$135,779 has been recorded.

OTHER SUPPLEMENTARY INFORMATION

SCHEDULE 1

SABINE PARISH WATERWORKS DISTRICT NO.1
MANY, LOUISIANA
SCHEDULE OF COMPENSATION PAID BOARD MEMBERS
SEPTEMBER 30, 2013

<u>Members</u>	<u>Meetings</u>	<u>Amount</u>
Keith Broussard	7	\$ 0
Alan Colston	1	0
Chris Comeaux	3	0
Benny Funderburk	7	0
David Mains	9	0
Walter Mains	10	0
Paul Morris	9	0
John Sandel	10	0
Total		<u>\$ 0</u>

SABINE PARISH WATERWORKS DISTRICT NO.1
MANY, LOUISIANA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2013

SECTION #1**SUMMARY OF AUDITORS' RESULTS**FINANCIAL STATEMENTS

- | | | |
|----|--|---------------|
| 1. | Type of auditor's report issued: | Unqualified |
| 2. | Internal control over financial reporting: | |
| | a) Material weakness(es) identified? | No |
| | b) Significant deficiency(ies) identified that are not considered to be material weaknesses? | None reported |
| 3. | Noncompliance material to financial statements noted? | No |

FEDERAL AWARDS

- | | | |
|----|--|---------------|
| 1. | Internal control over major program: | |
| | a) Material weakness(es) identified? | No |
| | b) Significant deficiency(ies) identified that are not considered to be material weaknesses? | None reported |
| 2. | Type of auditors report issued on compliance for major programs: | Unqualified |
| 3. | Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133? | No |
| 4. | Identification of major programs: | |

CFDA Number
10.770

Name of Federal Program or Cluster
Water and Waste Disposal Loans and Grants

- | | | |
|----|--|-----------|
| 5. | Dollar threshold used to distinguish between Type A and Type B programs. | \$300,000 |
| 6. | Auditee qualified as low-risk auditee? | No |

SECTION #2FINANCIAL STATEMENT FINDINGS

None reported.

SECTION #3FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported.

SABINE PARISH WATERWORKS DISTRICT NO. 1
MANY, LOUISIANA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED
SEPTEMBER 30, 2013

<u>Federal Grantor/Pass-Through Grantor/Program Name</u>	<u>Pass-through #</u>	<u>CFDA No.</u>	<u>Expenditures</u>
United States Department of Agriculture			
Direct Assistance			
Passed through Rural Development			
Water and Waste Disposal Loans and Grants *	None	10.770	\$ 528,000
TOTAL FEDERAL AWARDS			\$ 528,000

Notes to the Schedule of Federal Awards

- A. Federal awards are recorded when the reimbursable expenditures have been incurred.
- B. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred.

Note: The dollar threshold to distinguish between type A and type B programs was \$300,000.

* Denotes a major federal award program.

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Independent Auditor's Report

Board of Commissioners
Sabine Parish Waterworks District No. 1
Many, Louisiana 71449

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the business-type activities of the Sabine Parish Waterworks District No. 1, a component unit of the Sabine Parish Police Jury, as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated March 21, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Sabine Parish Waterworks District No. 1's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Sabine Parish Waterworks District No. 1's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Hines, Sheffield & Squyres

Natchitoches, Louisiana

March 21, 2014

HINES, SHEFFIELD & SQUYRES, L.L.C.

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REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

Independent Auditor's Report

Board of Commissioners
Sabine Parish Waterworks District No. 1
Many, Louisiana 71449

Report on Compliance for Each Major Federal Program

We have audited the Sabine Parish Waterworks District No. 1's compliance with the types of compliance requirements described in the OMB Circular A-133 Compliance Supplement that could have a direct and material effect on each of the District's major federal programs for the year ended September 30, 2013. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Sabine Parish Waterworks District No. 1's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the District's compliance.

Opinion on Each Major Federal Program

In our opinion, the Sabine Parish Waterworks District No. 1 complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2013.

Report on Internal Control Over Compliance

Management of the Sabine Parish Waterworks District No. 1 is responsible for establishing and maintaining effective internal control over compliance with the types of requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstance for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A deficiency in internal control over compliance exist when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Hines, Sheffield & Squyres

Natchitoches, Louisiana

March 21, 2014

SABINE PARISH WATERWORKS DISTRICT NO.1
MANY, LOUISIANA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED SEPTEMBER 30, 2013

	Fiscal Year		Corrective	Planned Corrective
	Finding		Action Taken	Action/Partial
	Initially		(Yes, No,	Corrective
<u>Ref. No.</u>	<u>Occurred</u>	<u>Description of Finding</u>	<u>Partially)</u>	<u>Action Taken</u>

Nothing came to our attention that would require disclosure under Government Auditing Standards.

SABINE PARISH WATERWORKS DISTRICT NO.1
MANY, LOUISIANA
CORRECTIVE ACTION PLAN FOR CURRENT YEAR AUDIT FINDINGS
FOR THE YEAR ENDED SEPTEMBER 30, 2013

<u>Ref. No.</u>	<u>Description of Finding</u>	<u>Corrective Action Planned</u>	<u>Name(s) of Contact Person(s)</u>	<u>Anticipated Completion Date</u>
-----------------	-------------------------------	----------------------------------	---	--

Nothing came to our attention that would require disclosure under Government Auditing Standards.